



Employees' Retirement Board of Rhode Island

Monthly Meeting Minutes

Wednesday, October 13, 2010

9:00 a.m.

8th Floor Conference Room, 40 Fountain Street

The Monthly Meeting of the Retirement Board was called to order at 9:00 a.m., Wednesday, October 8, 2010 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI.

I. Roll Call of Members

The following members were present at roll call: Chief of Staff Mark A. Dingley Esq., designee for General Treasurer Frank T. Caprio; Gary R. Alger; Daniel L. Beardsley; Frank R. Benell, Jr.; Michael R. Boyce; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Louis M. Prata; Susan Knorr Rodriguez and Jean Rondeau. Daniel L. Beardsley served as Chair of the Board due to the absence of General Treasurer Frank T. Caprio and Vice Chair William B. Finelli. Roger P. Boudreau arrived at 9:10 a.m. and Linda C. Riendeau arrived at 9:15 a.m.

Also in attendance: Frank J. Karpinski, ERSRI Executive Director; Attorney Michael P. Robinson, Board Counsel.

Recognizing a quorum, Chairman Beardsley called the meeting to order.

II. Approval of Minutes

On a motion by Frank R. Benell, Jr. and seconded by Gary R. Alger, it was unanimously

VOTED: To approve the draft minutes of the September 8, 2010 meeting of the Employees' Retirement System of Rhode Island Board.

III. Chairman's Report

None this month

IV. Executive Director's Report

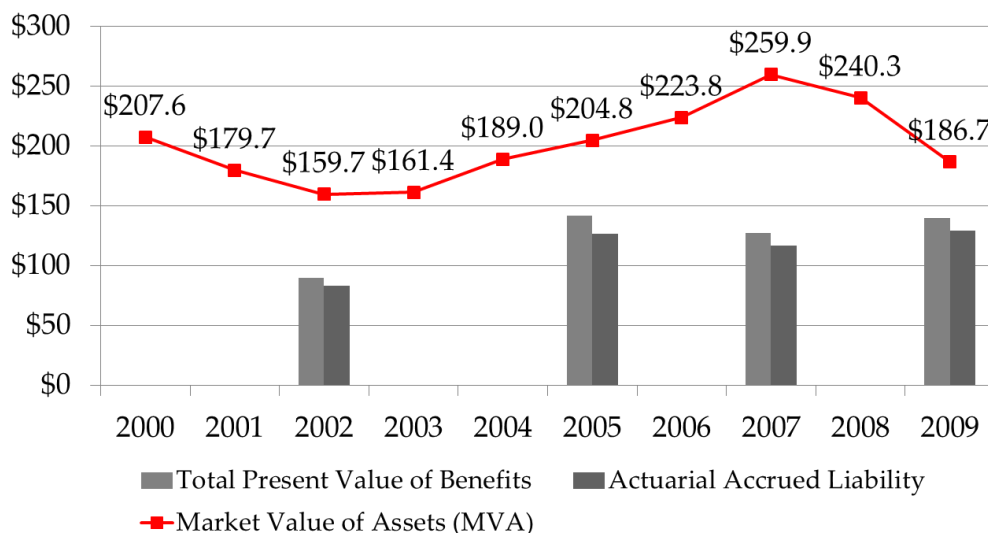
Director Karpinski apprised the Board that the ERSRI website has been updated to enable members to perform estimates of all the benefit changes created by the passage of Article 7 Sub A from the 2009 legislative session. He also said that direct deposit receipts can now be viewed on-line and a newsletter explaining this function will be mailed shortly. The Director stated that members, who prefer to continue to receive a hard copy, will have that option.

Presentation of the Teacher Survivors Benefit Fund (TSB) Valuation as of June 30, 2009

Director Karpinski presented the Board with the results of the TSB actuarial valuation. He began the presentation by stating that it was prepared by Gabriel, Roeder, Smith and Company as of June 30, 2009, using member data, financial data, benefit and contribution provisions, actuarial assumptions and methods. The Director told the Board that this valuation report also includes the June 30, 2007 results.

Director Karpinski said the assets continue to be greater than the total present value of Benefits (\$187 million vs. \$139.6 million) thus the current contribution policy remains adequate. He told the Board that the assumption changes from the 2007 Experience study had a positive impact on the plan.

Director Karpinski then discussed the assets of the Plan. He said the market value is now \$186.7 million, down from \$259.9 million in 2007. He told the Board that the average return on market is approximately 3.9% for last four years net of all investment and administrative expenses. The Director then said that for the TSB fund, the actuarial value equals the market value; a smoothed value is deemed unnecessary since the contributions to the plan are fixed by statute, not determined by valuation. Additionally, he said the fund is substantially overfunded. Director Karpinski provided the Board with the following graph displaying the market value of assets versus the total liabilities.



Director Karpinski then discussed the actuarial results with the Board. As discussed earlier, he said the assets continue to be greater than the total present value of benefits (\$187 million vs. \$139.6 million). The Director apprised the Board that if future plan experience followed exactly the expected experience based on the actuarial assumptions, the plan would have far more than enough funds to continue paying benefits for the current membership, even if no further contributions were made. He said contributions will serve to increase the surplus.

Director Karpinski then provided the Board with the following GASB actuarial results:

- Market value of \$186.7 million
- Actuarial accrued liability (AAL) of \$129.1 million
 - Based on Entry Age Normal (level dollar) actuarial cost method
- Unfunded actuarial accrued liability (UAAL) of -\$57.6 million (surplus)
- Funded ratio of 145% compared to 162% in 2005
- GASB Annual Required Contribution (ARC) is zero:
 - Based on Entry Age Normal (level dollar) valuation
 - Overfunding (negative UAAL) is amortized over 30 years as level annual payment.

1.	Normal Cost	\$1,466,030
2.	30-Year Amortization Credit	(5,051,796)
3.	Net Required Contribution	(\$3,585,766)
4.	GASB ARC (3., not less than zero)	\$0

In conclusion, because the funded ratio is greater than 120%, Director Karpinski told the Board it is not required to increase member contributions.

After some discussion, a motion was made by Gary R. Alger and seconded by Louis M. Prata and it was unanimously

VOTED: To accept the actuarial valuation as of June 30, 2009 of the Teacher Survivors Benefit Fund (TSB) prepared by Gabriel, Roeder, Smith and Company, as presented.

V. Administrative Decisions

Disability Appeal – David Palumbo vs. ERSRI

Included in Board Member's Books, under separate cover, was the Findings of Fact as concluded by the Disability Subcommittee, transcripts from the appeal to the Disability Subcommittee, medical and supporting information for the matter of *David Palumbo vs. ERSRI*.

Chairman Beardsley asked if consistent with Regulation Number 4, Rules of Practice and Procedure for Hearings, there were any written briefs, legal memoranda, or exceptions to the decision of the Disability Subcommittee which must have been submitted to the Executive Director not later than 10 days prior to the hearing. Director Karpinski apprised the Board that there was no information provided.

Chairman Beardsley said that pursuant to ERSRI's regulations, each party to the proceeding has the right to appear and to make oral arguments before the Retirement Board. He apprised the appellant that this is not an opportunity to present new factual material or evidence to the Board.

He said the Board affords deference to the conclusions of its Disability Subcommittee on factual determinations and questions of credibility, and will not overturn those determinations and assessments unless they are found to be clearly wrong.

Chairman Beardsley asked the appellant if they intended to make any presentation or oral argument to the Board. Attorney Robin Factor, representing Mr. Palumbo, told the Board her client would not be presenting oral argument or presentation and thus would not need to be sworn in. Attorney Robinson then provided a synopsis of the *David Palumbo* matter.

At the conclusion of the discussion, a motion was made by Jean Rondeau and seconded by Frank R. Benell, Jr. to affirm and adopt the recommendation of the Disability Subcommittee to deny the application for disability benefits. A roll call was taken. The following members voted Yea: Mark A. Dingley Esq., designee for General Treasurer Frank T. Caprio; Gary R. Alger; Daniel L. Beardsley; Frank R. Benell, Jr.; Roger P. Boudreau; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Louis M. Prata; Linda C. Riendeau; Susan Knorr Rodriguez; and Jean Rondeau. The following member voted nay: Michael R. Boyce.

There being 14 votes to cast, 13 voted in the affirmative, consistent with Rhode Island General Laws section 36-8-6, Votes of the Board—Record of Proceedings, there being a majority vote of the members present and voting at which a quorum was present, it was unanimously

VOTED: To affirm and adopt the recommendation of the Disability Subcommittee to deny the application for disability benefits in the matter of *Palumbo vs. ERSRI*.

VI. Approval of the September Pensions as Presented by ERSRI

On a motion by Roger P. Boudreau and seconded by John P. Maguire, it was unanimously

VOTED: To approve the September pensions as presented.

VII. Legal Counsel Report

Attorney Michael Robinson referred to the Kathleen Mellor matter which arises out of the Retirement System's decision denying Ms. Mellor's request to purchase service credit for time spent as an ESL teacher at the International Institute of Rhode Island. He noted that on September 23, 2010 the Rhode Island Supreme Court denied Ms. Mellor's petition for issuance of a writ of certiorari, which effectively affirmed the earlier Superior Court decision upholding the Retirement System's decision in the case. He then referred to the denial of Albert Turcotte's application for an accidental disability retirement by the Board last month, noting that a complaint had recently been filed in the Superior Court challenging the Board's decision. Lastly, Attorney Robinson informed the Board that a possible pension revocation matter would be addressed with the Board at the November meeting, involving a member convicted of a felony charge.

VIII. Committee Report

Disability Subcommittee: The Disability Subcommittee recommended the following actions on disability applications for approval by the full Board as a result of its meeting on October 8, 2010.

Name	Membership Group	Type	Action
1. William Kluth	Municipal	Accidental	Postpone
2. Robert Cahill	State	Accidental	Postpone
3. Martin Cappelli	Municipal	Accidental	Postpone
4. Edward Young	State	Accidental	Postpone
5. Brian Galligher	Municipal	Accidental	Postpone
6. Maria D'Abate	State	Accidental	Postpone
7. Olga Ortiz	State	Accidental	Postpone
8. Diane Brien	State	Accidental	Postpone
9. Edward Whalen	Municipal	Accidental	Deny
10. Ann Marie Goyette	State	Ordinary	Approved
11. Gregory Payette	Municipal	Ordinary	Approve
12. Lois Banks	Municipal	Ordinary	Approve
13. Suzanne Christiansen	Municipal	Ordinary	Approve
14. Mary Tomlinson	State	Ordinary	Approve
15. William Dupuis	State	Ordinary	Approve
16. John Gorman	State	Ordinary	Approve
17. Rebecca Aubuchon	State	Ordinary	Approve
18. Kerry Brusini	Municipal	Ordinary	Approve

On a motion by Mark A. Dingley Esq. and seconded by Frank R. Benell, Jr., it was

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, October 8, 2010 on item 4, 7, and 16

John J. Meehan recused himself from item 4, 7, and 16.

On a motion by Louis M. Prata and seconded by Frank R. Benell, Jr., it was

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, October 8, 2010 on items 1, 2, 3, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, and 17.

On a motion by Louis M. Prata and seconded by Jean Rondeau, it was

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, October 8, 2010 on item 18.

M. Carl Heintzelman recused himself from item 18.

Rules and Regulations Subcommittee: Chairman Maguire stated the Rules and Regulations Subcommittee met on Wednesday, October 6, 2010 to discuss recommendations to promulgate a draft rule regarding the purchase of service credits.

He said the Subcommittee reviewed Rules 1 through 8 and requested the Director make various modifications. Chairman Maguire stated another meeting will be scheduled to review Rules 9 through 14, to review the proposed modifications to Rules 1 through 8, and to discuss the draft regulation as it applies to definitions of Police Officer and Firefighter.

On a motion by Roger P. Boudreau and seconded by Frank R. Benell, Jr., it was

VOTED: To accept the October 6, 2010 Rules and Regulations Subcommittee's Report.

IX. Request by the Town of Scituate for reconsideration of the Retirement Board's decision to affirm the Hearing Officer in the matter of Iverson vs. ERSRI, and the request for opportunity to be heard regarding same.

Attorney Robinson gave a synopsis of the matter, noting that the Board had previously affirmed the Hearing Officer's decision to allow Mr. Iverson to receive approximately 10 years of service credit for time served on the Scituate Town Council. He referred to a letter dated October 6, 2010 from Attorney David M. D'Agostino, who represents the Scituate Town Council. Attorney D'Agostino had requested that the Board reconsider its earlier decision, and sought an opportunity to be heard by the full Board.

At the conclusion of a discussion, a motion was made by Roger P. Boudreau and seconded by Gary R. Alger to allow officials from the Town of Scituate to be heard before the full Board in order to request that the Board reconsider its earlier decision. A roll call was taken. The following members voted Yea: Mark A. Dingley, Esq. designee for General Treasurer Frank T. Caprio; Gary R. Alger; Daniel L. Beardsley; Frank R. Benell, Jr.; Roger P. Boudreau; Michael R. Boyce; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Linda C. Riendeau; and Susan Knorr Rodriguez. The following members voted nay: Louis M. Prata and Jean Rondeau.

There being 14 votes to cast, 12 voted in the affirmative, consistent with Rhode Island General Laws section 36-8-6, Votes of the Board—Record of Proceedings, there being a majority vote of the members present and voting at which a quorum was present, it was unanimously

VOTED: To re-open the matter of *Richard Iverson vs. ERSRI*, and to afford officials from the Town of Scituate the opportunity to address the Board.

X. New Business

Louis M. Prata asked for an update regarding Treasury's move to Service Avenue in Warwick, RI. He also requested that Board members be given the opportunity to visit the site as renovations progress. Mark Dingley concurred and added that the project is on schedule and the move will take place in April 2011, as planned.

XI. Adjournment

There being no other business to come before the Board, on a motion by Roger P. Boudreau and seconded by Frank R. Benell, Jr., the meeting adjourned at 11:10 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director